

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Evangeline Township	County Charlevoix
Fiscal Year End March 31, 2007	Opinion Date September 24, 2007	Date Audit Report Submitted to State October 3, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

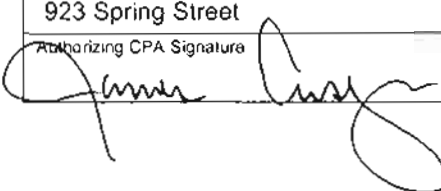
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

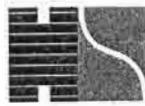
We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Hill, Schroderus & Co., LLP		Telephone Number 231-347-4136	
Street Address 923 Spring Street		City Petoskey	State MI
Authorizing CPA Signature 		Printed Name James Cusenza	Zip 49770
		License Number 01110024	

FINANCIAL REPORT
EVANGELINE TOWNSHIP
CHARLEVOIX COUNTY
March 31, 2007

EVANGELINE TOWNSHIP
FINANCIAL REPORT
March 31, 2007

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Hill • Schroderus & Co., LLP

Certified Public Accountants & Consultants

September 24, 2007

Independent Auditors' Report

Township Board
Evangeline Township, Michigan
Charlevoix County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Evangeline Township, Michigan ("the Township"), as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Evangeline Township, as of March 31, 2007, and the respective changes in financial position where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Township has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the basic financial statements.

The budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hill Schroderus & Co.

CERTIFIED PUBLIC ACCOUNTANTS
Petoskey, Michigan

EVANGELINE TOWNSHIP
Statement of Net Assets
March 31, 2007

	Governmental Activities
<u>Assets</u>	
Current Assets	
Cash	\$ 411,838
Taxes receivable	19,376
Due from fiduciary fund	248,267
Due from other governmental units	8,634
	<hr/>
Total current assets	688,115
	<hr/>
Noncurrent Assets	
Capital assets	238,172
Less: accumulated depreciation	(164,460)
	<hr/>
Total noncurrent assets	73,712
	<hr/>
Total assets	\$ 761,827
	<hr/>

Liabilities and Net Assets

Current Liabilities	
Accounts payable	\$ 3,257
Accrued expenses	6,895
Due to other governmental units	9,681
Notes payable, due within one year	4,942
	<hr/>
Total current liabilities	24,775
	<hr/>
Net Assets	
Invested in capital assets, net of related debt	73,712
Restricted for:	
Fire protection	38,057
Debt retirement	4,942
Unrestricted	620,341
	<hr/>
Total net assets	737,052
	<hr/>
Total liabilities and net assets	\$ 761,827

EVANGELINE TOWNSHIP
Statement of Activities
For the Year Ended March 31, 2007

	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
			Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government					
Governmental activities:					
General government	\$ 88,181	\$ -	\$ -	\$ -	\$ (88,181)
Public safety	38,725	-	-	-	(38,725)
Public works	1,967	-	-	-	(1,967)
Health and welfare	2,510	-	-	-	(2,510)
Community and economic development	28,143	7,660	-	-	(20,483)
Recreation and cultural	4,629	-	-	-	(4,629)
Unallocated depreciation	11,306	-	-	-	(11,306)
Total primary government	\$ 175,461	\$ 7,660	\$ -	\$ -	{167,801}
General revenues:					
Property taxes					248,933
State revenues					53,805
Interest and rentals					29,074
Special assessments					14,282
Total general revenues					346,094
Change in net assets					178,293
Net assets - beginning of year					558,759
Net assets - end of year					\$ 737,052

See accompanying notes to the basic financial statements.

EVANGELINE TOWNSHIP
Balance Sheet
Governmental Funds
March 31, 2007

<u>Assets</u>	<u>General</u>	<u>Road</u>	<u>Special Assessment Debt</u>	<u>Total Governmental Funds</u>
Cash	\$ 145,464	\$ 266,018	\$ 356	\$ 411,838
Taxes receivable	19,376	-	-	19,376
Due from other funds	122,800	120,881	14,946	258,627
Due from other governmental units	8,634	-	-	8,634
Total assets	<u>\$ 296,274</u>	<u>\$ 386,899</u>	<u>\$ 15,302</u>	<u>\$ 698,475</u>
<u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 3,257	\$ -	\$ -	\$ 3,257
Accrued expenditures	6,895	-	-	6,895
Due to other funds	-	-	10,360	10,360
Due to other governmental units	9,681	-	-	9,681
Total liabilities	<u>19,833</u>	<u>-</u>	<u>10,360</u>	<u>30,193</u>
Fund balances				
Reserved for:				
Fire protection	38,057	-	-	38,057
Debt retirement	-	-	4,942	4,942
Unreserved:				
Undesignated	<u>238,384</u>	<u>386,899</u>	<u>-</u>	<u>625,283</u>
Total fund balances	<u>276,441</u>	<u>386,899</u>	<u>4,942</u>	<u>668,282</u>
Total liabilities and fund balances	<u>\$ 296,274</u>	<u>\$ 386,899</u>	<u>\$ 15,302</u>	<u>\$ 698,475</u>

EVANGELINE TOWNSHIP
Reconciliation of Governmental Funds Balance Sheet to the
Statement of Net Assets
March 31, 2007

Total Fund Balance - Governmental Funds	\$ 668,282
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Amounts reported for governmental activities in the statement of net assets
are different because:

Governmental funds report capital outlays as expenditures. However,
in the statement of net assets, these assets are capitalized and depreciated
over their estimated useful lives.

Governmental capital assets	238,172
Accumulated depreciation	(164,460)

Long-term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the governmental
funds.

(4,942)

Net Assets of Governmental Activities	<u>\$ 737,052</u>
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EVANGELINE TOWNSHIP
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended March 31, 2007

	General	Road	Special Assessment Debt	Total Governmental Funds
Revenues				
Taxes	\$ 128,047	\$ 120,886	\$ -	\$ 248,933
State revenues	53,805	-	-	53,805
Charges for services	7,660	-	-	7,660
Interest and rentals	15,743	12,574	757	29,074
Special assessments	-	-	14,282	14,282
Total revenues	<u>205,255</u>	<u>133,460</u>	<u>15,039</u>	<u>353,754</u>
Expenditures				
Current:				
General government	88,181	-	-	88,181
Public safety	38,725	-	-	38,725
Public works	1,967	-	-	1,967
Health and welfare	2,510	-	-	2,510
Community and economic development	28,143	-	-	28,143
Recreation and cultural	4,629	-	-	4,629
Debt service	-	-	41,975	41,975
Total expenditures	<u>164,155</u>	<u>-</u>	<u>41,975</u>	<u>206,130</u>
Excess (deficiency) of revenues over expenditures	<u>41,100</u>	<u>133,460</u>	<u>(26,936)</u>	<u>147,624</u>
Other financing sources (uses):				
Operating transfers in	-	-	3,390	3,390
Operating transfers out	(3,390)	-	-	(3,390)
Total other financing sources (uses)	<u>(3,390)</u>	<u>-</u>	<u>3,390</u>	<u>-</u>
Net change in fund balances	<u>37,710</u>	<u>133,460</u>	<u>(23,546)</u>	<u>147,624</u>
Fund balances - beginning of year	<u>238,731</u>	<u>253,439</u>	<u>28,488</u>	<u>520,658</u>
Fund balances - end of year	<u>\$ 276,441</u>	<u>\$ 386,899</u>	<u>\$ 4,942</u>	<u>\$ 668,282</u>

EVANGELINE TOWNSHIP
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended March 31, 2007

Net Change in Fund Balances - Total Governmental Funds	\$ 147,624
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Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of these assets is allocated over
their estimated useful lives as depreciation.

Expenditures for capital assets	-
Current year depreciation	(11,306)

The issuance of long-term debt (e.g. bonds) provides current financial
resources to governmental funds, while the repayment of the principal
of long-term debt uses current financial resources of governmental funds.
Neither transaction, however, has any effect on net assets.

Principal payments	41,150
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Interest on long-term debt is recognized as an expenditure when it is
due in the governmental funds. However, in the statement of activities,
interest expense is recognized as the interest accrues, regardless of
when it is due.

	<u>825</u>
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Change in Net Assets of Governmental Activities	<u><u>\$ 178,293</u></u>
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EVANGELINE TOWNSHIP
Statement of Fiduciary Net Assets
Fiduciary Fund
March 31, 2007

		<u>Agency Tax Fund</u>
<u>Assets</u>		
Cash		\$ <u>248,267</u>
<u>Liabilities</u>		
Due to other funds		\$ <u>248,267</u>

EVANGELINE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township operates under a Board-Supervisor form of government and provides the following services as authorized by common law: public safety, highways and streets, culture-recreation, public improvements, planning and zoning, and general administrative services.

The Township's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The Township's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The following is a summary of the significant policies used by the Township of Evangeline:

REPORTING ENTITY

The accompanying financial statements have been prepared in accordance with criteria established by GASBS No. 14, and amended by GASBS No. 39. GASBS 14 states that the primary basis for determining whether outside agencies and organizations should be considered component units of the Township and included in the Township's financial statements is financial accountability. Financial accountability has been defined as follows: A primary government has substantive authority to appoint a voting majority of the component unit's board; the primary government is either able to impose its will on a component unit or there is a potential for the component unit to provide specific financial burdens on the primary government; and the component unit is fiscally dependent on the primary government. The Township has no component units.

BASIC FINANCIAL STATEMENTS – OVERVIEW

The Evangeline Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and the fund financial statements categorize primary government activities as either governmental or business-type. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements report information on all of the non-fiduciary activities of the primary government. As a general rule the effect of interfund activity, such as overhead costs, has been eliminated from these statements. The government-wide focus is more on operational efficiency, the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis. Due to the full accrual, economic resource basis, all long-term assets and receivables, as well as long-term debt and obligations are recognized. The Township's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS – CONTINUED

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. This statement reduces gross expenses (including depreciation) by related program revenues, which include charges for services, operating grants and capital grants.

The program revenues must be directly associated with the function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenue.

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures/expenses. The focus of the fund financial statements is upon the determination of financial position and changes in financial position (sources, uses, and balances of financial resources).

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The emphasis in the fund financial statements is on the major funds in the governmental or business-type categories. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of the governmental and proprietary funds) for the determination of major funds.

Governmental Funds

The following is a description of the major governmental funds of the Township:

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Road Fund – The Road Fund accounts for taxes levied for the purpose of local road construction and maintenance.

Special Assessment Debt Fund – The Special Assessment Debt Fund is used to record special assessment and interest revenue and for the payment of interest, principal and other expenses on long-term bonded debt issued to pay most of the Township's share of the West Michigan/Glenwood Beach Sanitary Sewer Project. Additionally, special assessment revenue has been collected for the Pine Hurst Shores Special Assessment.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS – CONTINUED

Fiduciary Funds

The fiduciary funds are used to account for assets held by the Township in a trustee or agent capacity. Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Agency funds use the accrual basis of accounting; however report only assets and liabilities.

Agency Fund – The Agency Fund accounts for the collection and payment of property tax levies.

BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the full accrual basis of accounting, which incorporates long-term assets and receivables as well as long-term debt and obligations. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred.

All agency funds are accounted for using the full accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded in the accounting period in which they are earned, as long as they are both available and measurable. Revenues are available when received within the current period or within 60 days after year-end. Expenditures are recorded in the accounting period in which the liability is incurred, as under full accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand and demand deposits.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY – CONTINUED

Capital Assets

Capital assets, which include property, buildings, equipment and infrastructure assets are reported in the Statement of Net Assets in the government-wide financial statements. Capital assets are recorded by the Township when the initial individual costs are greater than \$1,000. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, buildings and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Building improvements	20 years
Furniture and equipment	7 years
Land improvements	10 years

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

COMPARATIVE DATA

Comparative data for the prior year is not included in the Township's financial statements.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all operating funds of the Township except for the agency funds. Budgetary control is legally maintained at the fund level.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. A public hearing is conducted at Township Hall to obtain taxpayer comments.
2. The budgets are legally enacted through passage of an ordinance.
3. Budgeted amounts are as originally adopted, or as amended by the Township Board during the year.
4. All appropriations lapse at year-end.

During the year, the Township incurred expenditures which were in excess of the amounts appropriated for the following Funds:

<u>Fund</u>	<u>Appropriations</u>	<u>Amount of Expenditures</u>	<u>Variance</u>
General	\$ 166,935	\$ 167,545	\$ 610

NOTE 3: CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorized the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations, which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township's deposits and investment policy are in accordance with statutory authority.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At March 31, 2007, the carrying amount of the Township's deposits for both governmental activities and the fiduciary fund was \$660,105 and the bank balance was \$660,665. Of the bank balance, \$100,000 was covered by federal depository insurance. The remaining \$560,665 was uninsured and uncollateralized. State statutes prohibit security in the form of collateral, surety bonds or another form be taken for the deposit of public funds. The Township may experience significant fluctuations in deposit balances through the year.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 4: PROPERTY TAXES

Property taxes are levied and become a lien on property as of December 1 on the State taxable valuation of property in the Township. The Township bills and collects its own property taxes and also collects taxes for other governmental units. Collection of other governmental units' taxes and remittance of them to the units are accounted for in the Agency Fund. Property taxes are recognized as revenue in the year in which they are levied.

The Township is permitted by state law, subject to State Headlee and Truth in Taxation provisions, up to \$1 per \$1,000 of taxable valuation for general governmental services \$2 per \$1,000 voted millage for road repair and reconstruction and \$0.7 per \$1,000 voted millage for fire protection. Additionally, the Township is authorized to levy the amount necessary for the payment of principal and interest on general obligation long-term debt. The 2006 State taxable valuation of Evangeline Township totaled \$63,236,927.

The tax rates for the year ended March 31, 2007, were as follows:

<u>Purpose</u>	<u>Rate/Taxable Valuation</u>	
General governmental services	0.9559	per \$1,000
Roads	1.9118	per \$1,000
Fire protection	0.6691	per \$1,000

NOTE 5: INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 122,800	\$ -
Road	120,881	-
Special Assessment Debt	14,946	10,360
Fiduciary	-	248,267
	<u>\$ 258,627</u>	<u>\$ 258,627</u>

The interfund balances are mainly for property taxes and special assessments. The Special Assessment Debt Fund also owes the General Fund for a loan used to retire debt before the corresponding assessments were available for payment.

NOTE 6: INTERFUND TRANSFERS

The General Fund transferred \$3,390 to the Special Assessment Debt Fund to provide the cash necessary to retire the debt and close the fund.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 7: CAPITAL ASSETS

Capital asset activity of the Township for the current year was as follows:

	Balance April 1, 2006	Additions	Deletions	Balance March 31, 2007
Governmental Activities				
Capital assets being depreciated:				
Buildings	\$ 65,425	\$ -	\$ -	\$ 65,425
Building improvements	89,138	-	-	89,138
Furniture and equipment	25,183	-	-	25,183
Land improvements	58,426	-	-	58,426
Subtotal	<u>238,172</u>	<u>-</u>	<u>-</u>	<u>238,172</u>
Accumulated depreciation:				
Buildings	32,712	1,636	-	34,348
Building improvements	59,361	4,347	-	63,708
Furniture and equipment	20,916	1,606	-	22,522
Land improvements	40,165	3,717	-	43,882
Subtotal	<u>153,154</u>	<u>11,306</u>	<u>-</u>	<u>164,460</u>
Governmental activities net capital assets	<u>\$ 85,018</u>	<u>\$ (11,306)</u>	<u>\$ -</u>	<u>\$ 73,712</u>

Depreciation expense was charged as follows:

Governmental Activities

Unallocated	<u>\$ 11,306</u>
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NOTE 8: SPECIAL ASSESSMENTS RECEIVABLE

The Township had established a special assessment district to pay debt retirement costs of bonds issued and construction costs for its share of the Glenwood Beach Sanitary Sewer project; 37 parcels have each been assessed \$9,975 for a total of \$369,075. Principal payments of \$369,075 had been made as of March 31, 2007. The outstanding balance at March 31, 2007 was \$0. The final amounts were received during this fiscal year.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 8: SPECIAL ASSESSMENTS RECEIVABLE – CONTINUED

During the fiscal year ended March 31, 2003 the Township established another special assessment district to pay debt retirement costs and road construction costs for its share of the Pine Hurst Shores project; 26 parcels have been assessed, 18 frontage parcels at \$2,846 each and 8 non-frontage parcels at \$2,277 for a total of \$69,444. Principal payments of \$69,444 had been made as of March 31, 2007. The outstanding balance at March 31, 2007 was \$0. The final amounts were received during this fiscal year.

NOTE 9: LONG-TERM DEBT

The following is a summary of the Township's long-term debt transactions for the year ended March 31, 2007:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Governmental Activities					
Bonds and notes payable:					
General obligation debt					
1992 Series	\$ 25,000	\$ -	\$ 25,000	\$ -	\$ -
Personal note	<u>21,092</u>	<u>-</u>	<u>16,150</u>	<u>4,942</u>	<u>4,942</u>
Total	<u>\$ 46,092</u>	<u>\$ -</u>	<u>\$ 41,150</u>	<u>\$ 4,942</u>	<u>\$ 4,942</u>

Long-term liabilities payable at March 31, 2007 is composed of the following individual issues:

\$53,392, 2002 Personal note due in annual amounts equal to Pine Hurst Shores Special Assessment taxes collected until the note is repaid; interest at 0%. \$ 4,942

The annual debt service requirements to maturity for bonds and notes outstanding as of March 31, 2007, are as follows:

<u>Year Ending March 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 4,942	\$ -	\$ 4,942

NOTE 10: RESERVED FUND BALANCE

Reserve for Fire Protection – The General Fund has \$38,057 reserved for fire protection.

Reserved for Debt Retirement – The Special Assessment Debt Fund has \$4,942 reserved for debt retirement.

NOTES TO FINANCIAL STATEMENTS-CONTINUED

NOTE 11: RISK MANAGEMENT

The Township carries commercial insurance for various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. Settled claims have not exceeded coverage in any of the past three years.

The Township belongs to the Michigan Township Participating Plan, which currently operates as a common risk management and insurance program for various municipalities throughout the state. The Township pays an annual premium for its general insurance and workman's compensation coverage. The Plan is self-sustaining through member premiums and 100% reinsures through commercial companies.

REQUIRED SUPPLEMENTARY INFORMATION

EVANGELINE TOWNSHIP
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over/(Under)
	Original	Final		
Beginning of year fund balance	\$ 84,025	\$ 84,025	\$ 238,731	\$ 154,706
Resources (inflows)				
Property taxes	90,000	90,000	128,047	38,047
State revenues	41,200	41,200	53,805	12,605
Zoning fees	5,000	5,000	6,610	1,610
Cemetery fees	-	-	1,050	1,050
Interest and rentals	-	-	15,743	15,743
Amounts available for appropriation	220,225	220,225	443,986	223,761
Charges to appropriations (outflows)				
General government:				
Board	3,500	3,500	3,250	(250)
Supervisor	7,100	7,100	7,100	-
Clerk	8,000	8,000	8,000	-
Board of review	500	500	350	(150)
Board of appeals	1,000	1,000	120	(880)
Treasurer	9,000	9,000	8,700	(300)
Assessor	13,000	13,000	10,458	(2,542)
Elections	2,000	2,000	913	(1,087)
Building and grounds	14,300	16,300	14,530	(1,770)
Legal and professional fees	9,500	10,500	9,979	(521)
Cemetery	14,000	15,000	13,119	(1,881)
Insurance	5,250	5,250	4,952	(298)
Dues and subscriptions	1,885	1,885	2,218	333
Office expense	2,000	2,000	1,608	(392)
Payroll taxes	2,500	2,500	2,244	(256)
Printing and publishing	2,000	2,000	432	(1,568)
Miscellaneous	250	250	208	(42)
Public safety:				
Fire protection	35,000	20,000	38,725	18,725
Public works:				
Roads	2,000	2,000	1,967	(33)
Health and Welfare:				
Ambulance services	4,600	4,600	2,510	(2,090)
Community and economic development:				
Planning board	3,500	3,500	2,160	(1,340)
Planner/zoning administrator	22,000	22,000	21,932	(68)
Zoning ordinance revision	-	4,000	3,210	(790)
Other	4,550	2,050	841	(1,209)
Recreation and cultural:				
Parks	37,500	8,000	4,629	(3,371)
Capital outlay	13,000	1,000	-	(1,000)
Operating transfers out	-	-	3,390	3,390
Total charges to appropriations	217,935	166,935	167,545	610
Ending budgetary fund balance	\$ 2,290	\$ 53,290	\$ 276,441	\$ 223,151

EVANGELINE TOWNSHIP
 Budgetary Comparison Schedule
 Road Fund
 For the Year Ended March 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over/(Under)</u>
	<u>Original</u>	<u>Final</u>		
Beginning of year fund balance	\$ 132,096	\$ 132,096	\$ 253,439	\$ 121,343
Resources (inflows)				
Taxes	100,000	100,000	120,886	20,886
Interest	-	-	12,574	12,574
Amounts available for appropriation	232,096	232,096	386,899	154,803
Charges to appropriations (outflows)				
Public works:				
Road construction, repair and maintenance	40,000	40,000	-	(40,000)
Ending Budgetary fund balance	<u>\$ 192,096</u>	<u>\$ 192,096</u>	<u>\$ 386,899</u>	<u>\$ 194,803</u>



Hill ♦ Schroderus & Co., LLP

Certified Public Accountants & Consultants

September 24, 2007

COMMUNICATION OF MATERIAL WEAKNESS IN INTERNAL CONTROL AND OTHER MATTERS

Township Board
Evangeline Township
Charlevoix County, Michigan

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Evangeline Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Evangeline Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness:

The Township does not have the expertise to prepare financial statements in accordance with generally accepted accounting principles. According to newly issued auditing standards this inability to prepare financial statements in accordance with generally accepted accounting principles is an indicator of a significant deficiency and a strong indicator of a material weakness in internal control.

We did note the Township's management does possess the skill necessary to prepare and monitor the annual budget. The accounting system which is designed primarily for budgetary purposes is also used as the source information in preparing the financial statements in accordance with generally accepted accounting principles with some adjustment, format differences and note disclosures.


We have also noted other matters for your consideration:

Fund Accounting: Although the records were neat and organized with separate checking accounts for the various funds they were accounted for as one fund, using one trial balance and general ledger. A separate trial balance and general ledger should be maintained for each fund: General, Road and Special Assessment. Ideally, a separate Fire Fund would also be established. As a practical matter the Township is functioning satisfactorily with the separate checking accounts.

Capitalization Policy: The Township should adopt a formal capitalization policy with a minimum capitalization amount such as \$1,000 used in preparing the financial report. A listing of the various fixed assets owned by the Township over this amount should be retained with dates acquired, cost, etc.

Budgeting and State Chart of Accounts: The budget document should be prepared in conformity with the Uniform Chart of Accounts for Counties and Local Units of Government in Michigan and include comparative amounts for the prior year and beginning and ending fund balances.

This communication is intended solely for the information and use of management, Township Board, others within the organization, and State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.



HILL, SCHRODERUS & CO.
Certified Public Accountants